

**DOCKET SECTION**

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001**

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**POSTAL RATE AND FEE CHANGES, 1997 :**

**Docket No. R97-1**

**RESPONSES OF PARCEL SHIPPERS ASSOCIATION (PSA) WITNESS MULLIN  
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

The Parcel Shippers Association (PSA) hereby provides PSA witness Mullin's responses to the following interrogatories of United Parcel Service: UPS/PSA-T2-1-11.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,



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Dated: February 6, 1998

**RESPONSES OF PARCEL SHIPPERS ASSOCIATION WITNESS MULLIN  
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

**UPS/PSA-T2-1.** Please refer to the first paragraph on page 4 of your testimony.

Please explain the difference between "direct marketers" and "direct selling companies."

**RESPONSE.** A direct marketer is a company that markets, advertises, and sells directly to the consumer, using catalogs and the internet. Examples would be L. L. Bean and Land's End. A direct selling company markets, advertises, and sells products to the consumer through an agent or contractor. The agent or contractor is a business person who usually calls upon the customer door-to-door, or through party plans, and delivers the product and collects payment. Examples would be Avon, Amway, Shaklee and Tupperware.

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**UPS/PSA-T2-2.** Please refer to the first paragraph on the first page of your testimony.

(a) Does Avon use Priority Mail or Express Mail? If so, state which is used and the extent to which it is used.

(b) Does Avon use expedited services offered by carriers other than the Postal Service? If the answer is "yes," please identify which carriers and services are used.

**RESPONSE.**

(a) Avon uses Priority Mail and Express Mail to move shipments of consolidated purchase orders from our Representatives to our 4 distribution centers. Shipments move 26 times a year and the use is minimal.

(b) Avon uses UPS, Fedex, DHL, and Delta Dash. These expedited services are used primarily to move documents.

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**UPS/PSA-T2-3.** Please refer to the testimony of witness Jellison (PSA-T-1), also on behalf of the Parcel Shippers Association. Mr. Jellison discusses a survey of the members of PSA. Was Avon Products one of the 35 respondents to the survey? If the answer is "no," please explain why not.

**RESPONSE.** Avon responded to the survey.

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**UPS/PSA-T2-4.** Please refer to line 6 on page 3 of your direct testimony, and to line 2-3 on page 5. Please define the term "effective competitor" as you use it in those places.

**RESPONSE.** In order to be an effective competitor to UPS, the Postal Service would have to match the various service and pricing features. They include the following: package tracing; equal to or improved delivery transit times; reduction of damage to packages; 3 delivery attempts; reduction of the administrative hassles of dealing with the Postal Service; 15 day payment terms; and claims payment.

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**UPS/PSA-T2-5.** Please define the term "monopolist" as you use it in the last sentence of the first full paragraph on page 3.

**RESPONSE.** It is important to emphasize the fact that, if the Postal Service were no longer a competitor in the residential delivery market, there would be no other competitor who would agree to deliver our products. In other words, neither FedEx nor RPS, for example, would deliver our products to our customers. Because USPS is the only other competitor to UPS, and because USPS, for a variety of reasons, has such a small share of the market, that leaves United Parcel Service in a position to behave as though the Postal Service were not a competitor, by arbitrarily enforcing price increases and service conditions as though there were no effective competition from the United States Postal Service.

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**UPS/PSA-T2-6.** Please refer to the testimony of witness Jellison (PSA-T-1), on page 7, the second full paragraph.

(a) Do you confirm that Mr. Jellison reports that the survey of PSA members shows that "the USPS has a forty-nine percent (49%) share" for Parcel Post. Please explain any answer other than an unqualified confirmation.

(b) Do you have any reason to disagree with this finding?

**RESPONSE.**

(a) The question, as framed, uses the quote from Mr. Jellison's testimony in a manner which leads to a nonconfirmation of the question. We can confirm that witness Jellison's survey showed that, for those who responded to the survey, Parcel Post has 49% of their market share. However, the actual share of the parcel delivery market enjoyed by USPS is a small fraction of that percentage; their market share is so negligible as to be effectively not a factor. United Parcel Service may disclose in this proceeding what its actual volume of ground transported parcels are, and therefore provide information that is not publicly available. Based on my own understanding of the parcel shipment market, I state that I believe the Postal Service's share of that small parcel market is, as I have said, insignificant.

(b) Please see response to UPS/PSA-T2-6 (a).

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**UPS/PSA-T2-7.** Please provide the number of packages shipped to Avon and the amount of revenue paid by Avon to the United States Postal Service for each of the most recent three years (i.e., 1995, 1996, and 1997).

**RESPONSE.** In 1995, Avon shipped 55,355 packages; in 1996, Avon shipped 65,828 packages; and in 1997, Avon shipped 70,807 packages. All packages were shipped by regular parcel post, with no discounts.



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**UPS/PSA-T2-8.** Please provide a breakdown by subclass and rate category of the number of parcels shipped by Avon through the Postal Service for each of the most recent three years (i.e., 1995, 1996, and 1997).

**RESPONSE.** Please see response to UPS/PSA-T2-7.

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**UPS/PSA-T2-9.** Please provide the percentage of parcels shipped during 1997 by Avon using UPS which paid UPS's rates for residential deliveries.

**RESPONSE.** Zero.

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**UPS/PSA-T2-10.** Please refer to the last 2 lines of page 1 of your testimony, where you indicate that Avon "utilizes a variety of transportation companies to ensure timely and efficient delivery of its merchandise to its customers."

(a) Identify all transportation companies used by Avon (a) at present and, separately, (b) at any time during 1997, to effect delivery of Avon's products.

(b) Please provide the volumes shipped by Avon in the most recently fiscal year for all such transportation companies combined.

**RESPONSE.**

(a) We utilize 31 contract carriers to transmit consolidated orders to our sales representatives. We regard the identities of those carriers as proprietary information.

(b) In 1997 Avon shipped 8.9 million orders, and 17 million packages, at a total weight of 230 million pounds.

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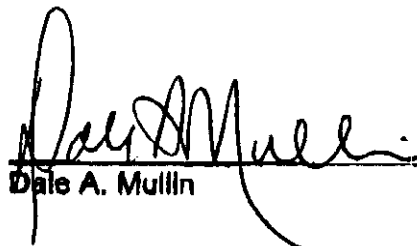
**UPS/PSA-T2-11.** Please refer to the last paragraph at the bottom of page 4 of your testimony, where you indicate that there are "some 7.2 million nationwide in the direct selling business, accounting for nearly \$18 billion worth of products and services sold." Please provide the basis for the figures contained in this statement.

**RESPONSE.** The source of my information that you cite was a letter from the President of the Direct Selling Association.

**DECLARATION**

I, Dale A. Mullin, declare under penalty of law that the foregoing answers to Interrogatories are true and correct to the best of my knowledge, information, and belief.


Executed: 2-5-98

  
Dale A. Mullin

308407

### **CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.

  
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Timothy J. May

Dated: February 6, 1998